

KRAUTHAMER

& ASSOCIATES, INC.

March 1, 2012

Carrie K.S. Okinaga, Chair
and Members of the Board of Directors
Honolulu Authority for Rapid Transportation
Alii Place, Ste. 1700
1099 Alakea Street
Honolulu, HI 96813

Re: Recruitment of Executive Director/CEO for HART

Dear Chair Okinaga and Board Members:

Krauthamer & Associates has been honored to have had the opportunity to assist the Board of Directors of the Honolulu Authority for Rapid Transportation (HART) in the recruitment of HART's first permanent Executive Director/CEO. This report will summarize the process by which Krauthamer & Associates assisted HART to recruit, interview and ultimately identify someone to lead the agency through one of the largest capital projects in the nation and the world.

Krauthamer & Associates is a retained executive search firm that has been providing executive search services for public transportation agencies for over 40 years. Our firm's first public transit client was Amtrak and it is still a client today. Gregg Moser is one of the firm's principals and leads the firm's public transportation practice. He has recruited for numerous transportation agencies across the United States and globally. Recently, he has assisted with CEO-level recruitment efforts for the American Public Transportation Association (the leading professional association in the public transportation field), the New York City Metropolitan Transportation Authority, Bay Area Rapid Transit in Oakland, California, Sound Transit in Seattle, Washington and the Regional Transportation District in Denver, Colorado.

We began the search by first coming to Honolulu to meet with members of the HART Board of Directors, both individually and collectively in public session, HART staff, members of the City Council, the Mayor of Honolulu and other key stakeholders in the community to discuss the desired qualities and attributes for an Executive Director/CEO and the local, cultural, social, economic, environmental and political sensitivities to which the Executive Director/CEO must be attuned.

From these meetings, a tremendous amount of insight was gained into HART, the Honolulu rail project and the local political and cultural sensitivities, among other things.

This information was used to develop a summary of the key themes gleaned from these meetings. Examples of these included identifying a leader who would:

- have a commitment to delivering the project on time and on budget;
- possess five years of fixed guideway experience;
- be able to successfully secure a full funding grant agreement;
- be sensitive to the local culture;
- listen, communicate and be transparent;
- be committed to transit oriented development; and
- respect and respond to multiple stakeholders.

This allowed for the development of a draft job description which was also provided to the Board of Directors for review and discussion in public. The purpose of this job description was to communicate to all prospective candidates and other stakeholders the qualities, attributes and skills that the HART Board of Directors sought in a candidate. After minor revisions, the Board approved the job description.

A detailed recruitment plan was also prepared that consisted of a timeline for the search process including all phases and milestones that were to be achieved. The purpose of this recruitment plan was to serve as the guide by which the search would be conducted and to provide the Board, various stakeholders and the public with a clear and concise understanding of the various phases of the search process and the timing of each phase. This recruitment plan was discussed and approved by the Board at its public meeting of November 17, 2011 and was posted on HART's website.

Additionally, at the November 17th Board meeting, the Board of Directors were presented with a draft job advertisement and the job description and minimum qualifications. These were discussed and approved by the Board. The advertisement was then published in various local, national and international media and industry outlets. These included the Honolulu Star Advertiser, American Public Transportation Association's Passenger Transport, the Conference of Minority Transportation Officials, Women's Transportation Seminar, Transit Talent and the International Association of Public Transport.

Lastly, at the November 17th public Board meeting, the salary expectations of potential candidates was discussed. Based upon Krauthamer & Associates' experience recruiting CEO candidates for the public transit sector, the Board was informed that the annual base salary range for candidates would be from \$150,000 to \$400,000 and candidates who fit within that salary spectrum would be presented for the Board's consideration. Additionally, it was noted that some candidates might need housing allowances, transportation allowances and other benefits to offset Honolulu's high cost of living and distance from the mainland.

Immediately following that meeting, the recruitment process began. Krauthamer & Associates took a multifaceted approach towards the recruitment, including the advertising previously referred to, in-depth targeted research and direct networking and referrals. This phase of the recruitment process took approximately two months. Our recruitment approach was to search both domestically as well as internationally.

Through the recruitment process, Krauthamer & Associates networked, identified and recruited candidates from a variety of industries and businesses including:

- Public Transit Systems
- Airports
- Port Authorities
- Engineer/Consulting Firms
- Manufacturing Firms
- Financial Service/Private Equity Firms
- Freight and Passenger Railroads
- Local, state and federal agencies
- International agencies and associations
- Other public and private entities and modes of transportation where candidates may have at one time worked in public transportation and moved into another industry.

Krauthamer & Associates spoke with executives in the:

- United States
- Australia
- Japan
- China
- Europe (including the UK, France, the Netherlands, Germany and Russia)
- Middle East (including Dubai)
- Central America

A tremendous amount of local, national and international interest in the position was received. There was also interest from an internal candidate within the HART organization who was assessed like all other candidates. All told, Krauthamer & Associates spoke with over 150 individuals who either applied for the position by responding to advertisements or who were contacted directly. Ultimately, about 50 applications were submitted. Careful assessments were made of which candidates met the minimum qualifications and then phone, video and in-person interviews were conducted with all of the candidates who were ultimately presented to the Board for consideration. Each of these candidates was also vetted through informal references and various social media searches prior to their resume being presented to the Board for

consideration. Krauthamer & Associates was pleased to see that HART had an extremely strong and qualified pool of applicants and that there was a considerable amount of interest in the position.

The pool of qualified candidates was then narrowed down to those who had demonstrated proven leadership experience in a variety of areas including:

- Operations
- Financial Management
- Fixed Guideways
- Labor
- Capital Programs
- Legislative
- Federal Transit Administration

Ultimately, during the Board's executive session on February 2, 2012, Krauthamer & Associates presented a list of 13 recommended candidates to the Board for its consideration. All of these candidates were concerned about confidentiality, especially given their current employment. Time was spent describing each of the candidates to the Board. An assessment of the candidates' strengths, weaknesses, achievements, reputations and current or recent compensation was also provided. Collectively, the Board reflected on the group of candidates presented and identified a list of five candidates that they wanted to meet in person and consider for the position.

At the February 2nd executive meeting, it was recognized that given the tight time constraints required to meet the plan for a March 1st public Board meeting announcement of the selected candidate, Krauthamer & Associates should conduct final confidential reference and investigative background checks on the remaining candidates prior to their interviews. This was a change from the recruitment plan, which provided for the background checks to be conducted after the interviews, but ensured that all remaining candidates were fully vetted and that the Board could be positioned to immediately make a fully informed decision.

Four of the remaining candidates arrived in Honolulu the week of February 13th and were given a tour of the project alignment. The remaining five candidates each underwent a confidential personality assessment by Dr. Gary Farkas (who reported his findings to the Board). They also met informally with individual Board members in 2-on-1 groups and were interviewed during the continuation of the executive session on February 17th and February 18th by the full Board of Directors. Each interview lasted about one and a half hours. During the consideration of the remaining candidates, two of the candidates chose to withdraw from the process.

The Board began deliberating in the continued executive session on February 18th. It carefully considered all of the information that had been provided and further deliberated in a continuation of the executive session on February 22nd. It reached a consensus that among the three candidates being considered, Mr. Daniel Grabauskas was the most qualified candidate. Mr. Grabauskas was presented with the Board's proposed basic terms of employment on February 23rd. He reviewed those terms and found them agreeable and confirmed this to the Board on February 24th, with the understanding that the Board would have to vote to approve his appointment.

With regards to compensation specifically, it should be noted that Krauthamer & Associates identified and recruited a large pool of candidates with a broad spectrum of base salary and other benefits including signing bonuses, deferred retirement income, housing allowances, car allowances, relocation bonuses and, in some cases, significant severance packages among other benefits. These compensation packages ranged from \$150,000 to \$500,000 annually, not including severance. We were very cognizant that based on our discussions with the HART Board, the Board had an expectation about the likely range of compensation that would be required to attract a strong Executive Director/CEO candidate, and we considered this in our evaluation of every candidate.

We recognized that HART is leading one of the largest capital projects in the United States and the world and to attract qualified candidates with proven leadership experience in large complex transportation operations and capital programs, HART would need to consider and offer a package that was competitive within the public transportation marketplace. While considering Mr. Grabauskas for the position and ultimately negotiating employment terms with him, we spent a great deal of time considering how to offer a competitive contract within industry standards that also was within the range set out by the Board at the beginning of this process. Given our vast experience recruiting CEO's in this industry, we are confident that the HART Board offered a compensation package that is competitive within the industry, while being innovative at the same time. Therefore, it has a performance-based component which will allow the Board to establish metrics to measure the performance of the Executive Director/CEO so that significant compensation will be tied directly to the Executive Director/CEO's performance and the success of the project.

Throughout the process, we were fortunate to have assistance from Mr. Ronald Tober who has dedicated his life and career to the advancement of public transportation. As the CEO of the Charlotte Area Transit System, Mr. Tober successfully assisted Charlotte, North Carolina to design, construct and then operate a light rail and bus operation. He also served as Deputy CEO of Sound Transit in Seattle, Washington and worked alongside the CEO to establish an effective organization and build and operate new light rail service in Seattle. Mr. Tober's proven success designing, building and operating rail and bus service allowed him to provide a level of expertise and assistance throughout this recruitment process that few agencies have had. Mr. Tober assisted from the beginning to the end of the process including assisting in identifying, vetting, engaging and

screening candidates. Additionally, he was an invaluable resource to the Board during their evaluation process. Having spent six months working with HART in 2011, he was able to provide candidates with a level of understanding of the current political and business environment which will reduce the learning curve and facilitate a smooth transition for the incoming Executive Director/CEO. I would like to personally thank Mr. Tober for all of his help and support throughout this process. Without his help, it would have been significantly more challenging for the Board to recruit and hire an Executive Director/CEO within the time schedule proposed at the beginning of the process.

As noted at the outset of this letter report, Krauthamer & Associates has been honored to have had the opportunity to assist the Board of Directors with this important assignment. We have appreciated the hard work and cooperation shown to us by the Board members and your staff. We look forward to providing whatever additional assistance you may require as part of our contracted Scope of Services. If you have any questions about these matters, we are of course available to respond.

Thank you for the opportunity to be of service. Best wishes to HART for the successful completion of its project and for a future of improved transportation options for the people of Honolulu.

Very truly yours,



Gregg A. Moser